

RD AN No. 3541 (1942-A)
April 27, 2000

TO: All State Directors
Rural Development

ATTN: Community Programs Managers

FROM: James C. Kearney *(Signed by James C. Kearney)*
Administrator
Rural Housing Service

SUBJECT: Delinquency Servicing Community Facilities
Direct Loan Program

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) is being issued to provide guidance to State Offices on the requirements for monitoring and reporting Community Facilities (CF) delinquent borrower accounts.

COMPARISON WITH PREVIOUS AN:

This AN updates RD AN No. 3464(1942-A) which was issued on April 30, 1999 and will expire on May 30, 2000.

IMPLEMENTATION RESPONSIBILITIES:

The following requirements are necessary when monitoring and reporting on delinquent CF direct and insured loans owed to the Government. Rural Development reporting on delinquent CF borrowers is required for any borrower behind schedule according to the Program Loan

EXPIRATION DATE: December 31, 2000

FILING INSTRUCTIONS:
Preceding RD Instruction 1942-A

Accounting System (PLAS) Delinquency File (Report Code 5001 A-C and 5002 A). This file may be accessed through the main menu of FOCUS.

The Finance Office reports accounts between 1 and 30 days behind schedule as “Borrowers With Loans That May Require Attention.” These are normally cases where payments are not received on the installment due date. When 30 days behind schedule, loans are report as 1 month delinquent, 2 months delinquent, etc. Please closely monitor loans that are in the category “Borrowers With Loans That May Require Attention.” Monitoring and routinely servicing of late-pay delinquent borrowers will encourage a proactive approach to servicing and ensure continued borrower success.

Servicing delinquent borrowers includes: (1) identifying borrowers who are consistently late-pay borrowers and providing immediate assistance to ensure the collection of timely scheduled payments; (2) closely reviewing audit and management reports of entities to identify problems or potential problems; (3) assisting in resolving operational, management, and financial problems; (4) completing a workout agreement; and (5) working closely with the Finance Office to process payments immediately to ensure prompt posting of payments to the borrower’s account (borrowers should be encouraged to use the Preauthorized Debit Process (PAD) system). State Offices must utilize all servicing methods referenced in RD Instruction 1951-E that will assist the borrower in meeting the objectives of the loan.

The workout agreement is an effective tool used to encourage a formal written agreement between the Agency and the borrower. Please reference RD AN No. 3499 (1942-A), dated December 9, 1999, for guidance on completing the Community Programs workout agreement. The Rural Development servicing official must complete a formal workout agreement as required by the Agency and Department of Treasury, Debt Collection Improvement Act, for accounts over 90 days delinquent. However, the workout agreement may be used on problem/delinquent accounts at any time prior to the 90-day requirement. Upon completion, a copy of the workout agreement must be sent to the National Office, Attention: Deputy Administrator, Community Programs.

We appreciate your efforts in servicing Community Facilities loans. If you have questions concerning CF servicing, please contact the Community Program Division, (202)720-1490.